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MINISTER CRITICIZES IMPROPER ACCOUNTABILITY METHODS

Sofia SCHETOVOdstvo I KONTROL in Bulgarian No 6, 1982 pp 6-20

[Address of Minister of Finance Belcho Belchev to the National Conference of Chief Accountants, date and place not specified, "published with some abridgments": "The Role and Responsibility of Chief Accountants in Implementing Party Policy of Raising Efficiency and Intensifying the Economy"; pages 18-19 missing in original source]

[Text] The 12th Congress of the Bulgarian Communist Party made historic decisions regarding the further building of a developed socialist society in the Bulgarian People's Republic.

In formulating the main socioeconomic task of the Eighth Five-Year Plan the congress raised with special force questions regarding the comprehensive intensification of every sphere and activity of social life, the consistent application of the new economic approach and its mechanism, and the further development of socialist social relations.

The theses regarding party work in connection with the social, economic and cultural development of the Bulgarian People's Republic during the Eighth Five-Year Plan and the tasks up to 1990, approved by the 12th BCP Congress, are a proportionate and realistic program of action on all fronts of the campaign to build a mature socialist society.

The instructions of the general secretary of the BCP Central Committee and chairman of the State Council, Comrade Todor Zhivkov, to the National Conference of Party, State and Public Activists on 24 October 1981 are of tremendous importance for accelerated fulfillment of the congress's decisions. Comrade Todor Zhivkov not only substantiated and explained the economic strategy and tactics for fulfillment of the congress's decisions, but made an important contribution to the store of Marxist-Leninist theory and practice of socialist construction.

In his brilliant, forceful speech to the Ninth Congress of Bulgarian Trade Unions he reaffirmed and substantiated the most important problems at the present-day stage of the country's development.

Of exceptional importance for our work are his dicta on quality not only in physical production, but also in all activities of public life, including--not least--accounting records and information, as well as the need to make every lev start working for further changes in social policy.

An important factor in fulfillment of the decisions of the 12th BCP Congress is the improved economic mechanism, approved at the end of 1981, for control of the national economy during the Eighth Five-Year Plan. Its universal introduction into all sectors of the national economy with effect from 1 January 1982 was a major political event in the life of our party and country.

The role of chief accountants and financial accounting staffs in, and their responsibility for implementing the congress's decisions and for the proper and creative application of the economic mechanism are great.

The party and government have always paid a great deal of attention to bookkeeping. This is no accident. It stems from the operation of objective laws under socialism and from the very character of the socialist mode of production. Marx in his time pointed out that in socialist production value is left to act as an important economic category. In this sense, the regulation of working time and the distribution of social labor among different production groups and, ultimately, "bookkeeping, which encompasses all this, becomes more important than ever." Still in connection with the necessity of accounting records, Lenin wrote that "socialism first and foremost means bookkeeping."

There are accounting bodies wherever the organization of socially useful activity takes place. Created and growing under the party's guidance during the years of the people's power, accountants play an important role in the control of economic processes. The party has given chief accountants a great vote of confidence. At the personal initiative of Comrade Todor Zhivkov, Decree No. 38/1978 elevated the post of chief accountants and made them equivalent in official status to the deputy directors of socialist organizations.

The vote of confidence which the party and government have given chief accountants makes it imperative that they put new meaning into their activity and take a leading role in the campaign to raise economic efficiency, maintain strict financial discipline and protect socialist property. All this destines the chief accountant to be the key figure from the nonmaterial sphere in the control of the financial capital in the individual economic organization, enterprise or link.

The results in the work to date show that most accountants justify the vote of confidence given them by the party and government. They have contributed significantly to the proper organization and functioning of the country's information system, to the conducting of prior and current financial control, to the organization of profit-and-loss accounting, to the making of economic analyses etc. When the results of the fulfillment of the Seventh Five-Year Plan were reported, a number of chief accountants were awarded high government honors. The purpose of our conference, however, is not to report the progress that has been made, but to make a critical analysis of the weaknesses and deficiencies that have occurred and, against the background of qualitatively new

requirements, to map out ways of eliminating them and successfully fulfilling the tasks stemming from the decisions of the 12th Party Congress.

The tasks of chief accountants and accounting staffs are very diverse. Any attempt by us to exhaust the subject thoroughly and give precise instructions about what has to be done each day will obviously be fruitless. Therefore, I ask you to permit me to dwell only on certain basic problems having to do with the role and place of accounting organs in the fulfillment of the tasks stemming from the decisions of the 12th BCP Congress.

The first question that I want to touch upon is the chief accountant--an active champion of high-efficiency financial planning.

The accomplishment of the task, set by Comrade Todor Zhivkov at the October 1981 Conference, of "establishing profit as an important criterion for the operation of each economic organization, each labor collective," is directly related to the formulation of highly efficient financial plans, based on counterplans in keeping with the basic and fundamental requirements of profit-and-loss accounting. Profit is the basic source for effecting expanded reproduction, for forming collective consumption funds and for creating the centralized social fund.

All this makes it obligatory that financial accounting bodies actively bring their influence to bear to secure maximum profit from every economic unit, from every economic activity. The expenditures of socialist organizations and of the state must be made entirely dependent on the income they receive.

Consequently, the requirement of constant balancing, i.e. continuously bringing expenditures into line with the income that is received, must have a central place not only in financial planning but also in plan fulfillment. The financial accounting organs of every sector and activity, regardless of the level of administration, must comply with this requirement.

Financial plans encompass the total flow of the monetary resources of economic organizations--from their creation to their final utilization. These plans focus on the results of the efficient utilization of the three elements of production--the implements of labor, the objects of labor, and live labor.

In this connection it is especially important that the chief accountant participate in the determination and guidance of investment activity. He must actively assist in the application of the new approach to the investment process--increasing the efficiency of capital investment and starting the construction of new projects after the complete utilization of existing production capacities.

In keeping with these requirements, the investment process must be financed in such a way that maximum effect is obtained with minimum expenditure of capital.

Chief accountants must assist most actively in introducing the achievements of science and technical progress and in speedily realizing the effect thereof as the main requirement and precondition for the further intensive development of economic activity.

It must be noted with alarm that the failure to establish funds, the tardy installation of machinery and the incomplete utilization of production capacities have become frequently recurring phenomena in our experience, while the records of what we are losing in consequence have not been the subject of thorough analysis and audit.

The influence that chief accountants bring to bear during the working out of planning indicators for the objects of labor must be broad and appreciable. The problems here begin with the correct planning and norming of reserves of physical resources. The shorter the intervals that are set between deliveries and the less time raw materials, supplies and semifinished products stand in warehouses, the more accelerated the turnover rate of working capital will be and the higher the efficiency of social production.

The enlarged scale of production and the complex subcontracting relations between individual economic links require that greater attention be paid to this question. The problems, to be sure, do not reduce only to norm-setting, but also to daily and hourly current control of the flow of commodity and physical assets and their proper storage and use. Too little control makes for accumulation of physical assets in excess of norms.

An analysis, made at the time of the adoption and approval of the 1981 annual reports and balance sheets, found that a number of economic organizations had permitted significant above-norm reserves.

Above-norm reserves, though cut down in comparison with those found at the beginning of 1981, amounted to 29 million leva at the end of the year at the Kremikovtsi Economic Metallurgical Combine, to 19 million leva at the Electric Supplies and Structural Elements DSO [State Economic Trust] in Sofia, to 12 million leva at the V. I. Lenin SMK [Economic Metallurgical Trust] in Pernik, to over 33 million leva at the Wholesale Trade DSO, and to 5 million leva at "Valentina" DSO. Moreover, above-norm accumulation at a number of economic organizations had increased considerably. Thus, for example, above-norm reserves at the end of 1981 had increased by 7 million leva over the physical assets on hand at the beginning of the same year at the Heavy Machine-Building Economic Combine in Radomir, by 27 million leva at the Devnya Economic Chemical Combine, by 5 million leva at the "Podem" [Progress] Telpher-Building Combine in Gabrovo, by 5 million leva at the "Pirin" DSO in Sofia, and by 3 million leva at the Pharmaceutical Chemistry Economic Trust in Sofia.

Many more economic organizations and enterprises are no exception, either. Additional expenditures are incurred for the storage of above-norm reserves, and penalties and interest are paid for frozen working capital, which in final analysis cut down income for individual and collective consumption. Some of these materials become spoiled, as a result of which great losses are borne by the national economy.

The task of financial accounting organs is to cut short such occurrences back in the financial planning process and to prevent the losses of social labor in any form whatever.

We must also be on the lookout for potential reserves in the use of the other production factor--live labor. Continuous growth in the social productivity of labor is extremely important for the comprehensive increase of efficiency.

The party decisions envisage fuller application of the socialist principle of payment in accordance with the quantity and quality of invested labor. The application of the principles of profit-and-loss accounting in material production will bring about the necessary conditions for a more correct evaluation of and payment for labor. At the present-day stage of development we must not only evaluate the labor of those taking part in material production, but apply the socialist principle of measuring and paying for labor in all spheres and activities of society, including the nonmaterial sphere.

The great importance which the party and government attach to questions of improving the socialist organization of labor is well known. The efficiency of our economy will depend in large measure on the extent to which we succeed in introducing a model socialist organization of labor in all spheres.

/An important element in achieving the scientific organization of labor is the consistent and fuller application of internal profit-and-loss accounting and brigade profit-and-loss accounting./ [Passage enclosed in slantlines printed in boldface.]

Every economic activity must be put onto profit-and-loss accounting. The heart of this is self-support. The actual application of this principle presupposes that every labor collective, every worker, acts every day as a veritable steward of socialist property and feels that his personal prosperity and the prosperity of the people depend on the results of his labor. In this connection, chief accountants must help create an organization that will provide incentives for the effective utilization of production capital and create an interest in increasing profits and hence the income of the labor collective.

In accordance with party and governmental decisions, the chief accountant supervises and is directly responsible for the organization and strengthening of profit-and-loss accounting, internal profit-and-loss accounting, and brigade profit-and-loss accounting. This obligation on the part of the chief accountant stems not from the fact that profit-and-loss accounting is a bookkeeping concept, but from the fact that profit-and-loss accounting--being a method of managing economic activity involving the use of the law of value and based on the requirement that income must be commensurable with expenditures and that the results of economic activity must be taken into consideration--is closest to the character of the chief accountant's job.

This, however, does not in the least signify that he must do it himself. He, together with the manager, is charged with heading up a broad team of technologists, specialists in the area of planning, labor-norming and many other things, who must bring about the necessary (according to conditions) organization of internal and brigade profit-and-loss accounting in the links and brigades. In this way the organization of internal profit-and-loss accounting becomes an indispensable and essential part of the socialist organization of labor.

In practice, the establishment of autonomous local production units operating on the principle of internal and brigade profit-and-loss accounting is still unsatisfactory. The principle of "earning wages" is not fully applied. Payment and the provision of incentive in the brigades do not square everywhere with material expenditures since scientifically substantiated expenditure norms and standards or brigade normative production cost are not employed and the necessary conditions have not been created for reporting and controlling them. The payment for labor is not tied in with the quality of the output produced.

What especially disquiets us is that there are contradictory results at different periods of the year. How does it happen, for example, that for 11 months of 1981 many organizations reported high economic results, but in December matters were reversed? The misunderstood right to make constant changes in counterplans resulted in an improper reduction of the indicators for the 11 months and to their getting a wage which in final analysis is out of line with the actual work performed. I can assure you that by order of the chairman of the Council of Ministers the government is firmly resolved to prevent such occurrences and we will be uncompromising in regulating them, regardless of who permitted them.

Financial and accounting organs must have a direct personal interest in bringing about good brigade organization of labor and brigade profit-and-loss accounting. Combining brigade organization of labor with brigade profit-and-loss accounting will ensure an economic basis for raising efficiency and for tying in wages with the economic results of the activity of labor collectives.

Special attention must be paid to questions regarding the procedure for determining the profit-and-loss accountability of brigades and for presenting and settling internal claims, as well as methods of reporting and evaluating the results of brigade activity.

In final analysis, the criterion by which the contribution of financial accounting organs to the application of profit-and-loss accounting will be judged is the maximum growth of profits, economically justified by the financial plan, that will ensure the complete self-financing of economic activity and a corresponding increase in state revenues.

It is high time that we seek out internal reserves more seriously and thoroughly during the drawing up and fulfillment of counterplans rather than looking constantly to the state budget.

Improving the Quality of Accounting Records, Economic Analysis, Internal Financial Control

A fundamental obligation of financial accounting organs is to provide accurate and timely information, on the basis of which a thorough economic analysis can be made and effective internal financial control exercised.

The main and fundamental thing in the performance of these functions is systematic improvement in the quality of accounting records, campaigning to protect

socialist property against plundering and improper use, improvement of financial discipline, discovery of potential reserves, and improvement in the results of economic activity.

Regardless of the favorable results achieved along this line, financial results are still being incompletely and inaccurately reported in many places due to shortcomings in the work of a significant portion of the accounting staff. The prescriptive documents currently in effect, which regulate documentation, the circulation of documents and the overall organization of accounting records, are not thoroughly enforced. Established requirements are not always observed in filling out and finally formalizing primary documents. Amounts or totals that have already been entered in these are impermissibly corrected. There is too little control over these officials by the chief accountant.

Nor is established procedure observed in inventorying commodity and material assets. There is too little checking to ascertain their actual condition.

The prescribed technique and instructions for accounting entries, for keeping journals, ledgers etc. are not observed everywhere. In a number of organizations the analytic accounting records are not in good condition. There are analytic accounts with large balances of unknown origin. The analytic accounts are not collated every month with the corresponding journals. All this leads, in some period, to the compilation of unrealistic accounting reports and balance sheets.

Inaccuracy in information is a reason for significant violations of the fundamental principles of income distribution.

Chief accountants must take effective measures for compliance with the established procedure for documenting and organizing reporting processes, for drawing up realistic reports and balance sheets and for eliminating manifestations of negligence and irresponsibility in the compilation of reports, while higher authorities must prevent their formal acceptance.

Substantial weaknesses also occur in economic analysis. Analytic work is not always sufficiently thorough, comprehensive and efficient.

The scope of the analysis and control of current activity must be broadened. In this regard the greatest share falls to the chief accountant since all information about economic activity passes through his hands.

An analysis must be made both in advance--during formulation of the plan, and currently--during its fulfillment, as well as afterwards, on the basis of periodic and annual accounting reports and balance sheets. By actively participating in the formulation of engineering plans and in the drawing up of counterplans, the chief accountant and financial accounting staff must, through the medium of analysis, help provide the necessary resources for carrying on efficient production operations. Whenever the formulated engineering plans fail to ensure the targeted efficiency, other more efficient economic solutions must be sought by means of analysis.

The production cost of output must be the basic subject of analysis. As early as during the drawing up of the plan, methods, ways and means must be clarified for achieving the targeted reduction of expenditures on the basis of the introduction of modern scientific and technical developments and other measures. The criterion for the efficiency of analysis is the continuous reduction of expenditures and the increase of profitability.

Great attention must also be given to analysis of the causes of injuries to the national economy so that effective measures may be taken to prevent them.

Conclusions regarding the quality of analysis are very alarming, but unfortunately are true.

Here are some summarized data:

--In 1981 culpably caused damaged increased by 4,749,000 leva over 1980;

--Labor remuneration illegally paid due to nonobservance of discipline and procedure for the organization of wages increased 32 percent in 1981 over the preceding year.

Especially disquieting is the fact that shortages of monetary resources and of commodity and material assets in 1981 increased 17 percent over the preceding year, which indicates lowered and ineffective control over the activity of employees liable for breakages, damage etc.

--During the acceptance and approval of 1981 annual reports and balance sheets the State Balance Commission found that although the damage done to the national economy because of the overexpenditure of raw materials, supplies, energy, feeds etc. showed a tendency to decline in comparison with the preceding year, it still was considerable. The necessary measures have not been taken everywhere for the use of all opportunities to effect economies in the expenditures of materials. Overexpenditure, as compared with input norms, is permitted.

--Considerable damage is also done as a result of penalties that are paid.

The inefficient use of raw materials and supplies in some economic organizations was characterized by the great amount of rejects in production. In a number of economic organizations the losses in production due to the technological unserviceability of equipment, poor-quality raw materials and supplies, the unsatisfactory qualifications of workers, discounts because of substandard construction, damage to and spoilage of materials and finished output even registered a rise over 1980.

--Serious shortcomings occur in price-setting and price-enforcement. Inspections made in 77 organizations alone in 1981 found 2,500,000 leva of illegal income.

Price-setting violations also occur through the inclusion of excessive material and labor inputs and indirect inputs when normative production cost is worked out for the determination of prices.

The above-cited data show categorically that the measures we took about financial accounting activity in the country in 1981 in order to improve financial discipline are extremely inadequate.

Under the conditions of the new economic approach and the mechanism for its application, both the owner and the steward have a financial interest in protecting and increasing socialist property. This makes it imperative to intensify the analysis of the extent to which fixed and working production capital is utilized. In this connection, however, I should like to note that there are frequent cases where on-hand fixed capital assets worth millions of leva, for which depreciation deductions are being charged and paid and production space is reserved, stand idle for years, become obsolete and go to waste. In these cases the chief accountant must insist that they be promptly put into operation and the superfluous assets be transferred where they are needed.

As a result of inspections made by state balance commissions it has been established that in 1981 the use of working capital improved on a national scale. Some economic organizations, however, have slowed down the turnover rate of their working capital. The greatest slowdown is in economic organizations within the National Agroindustrial Union (over 5 days), the Ministry of Machine Building and Electronics (4 days), the Ministry of Metallurgy and Mineral Resources (over 2 days) etc.

As a result of the slowed-down turnover rate of working capital, economic organizations have paid over 37 million leva more than the planned interest for working capital.

In 1981 a number of economic organizations even permitted the diversion of working capital as a result of the nonfulfillment of the profit plan and the overexpenditure of monetary assets. These amounts are especially large in economic organizations within the Ministry of Machine Building and Electronics, the Ministry of Metallurgy and Mineral Resources, the Ministry of Construction and Architecture, and the National Agroindustrial Union. In this way the requirements of the self-support principle are grossly violated. Economic organizations continue the old practice of spending more money than they have resources. In conformity with the new economic approach and the mechanism for its application, economic organizations must make sure in 1982 that they make more economical and efficient use of their financial resources, with which they must not only meet their current expenses of the year, but also restore the working capital diverted in 1981.

The weaknesses and shortcomings in the work of the managements of certain economic organizations have led to a reduction in the size of the results-based Wage Fund, for which reason it has not been able to provide for the payment of extra wages.

Under the conditions of the new economic approach and the mechanism for its application, new and great requirements are set for the improvement of economic analysis and financial control by means of the lev.

As a result, the Council of Ministers has decided to make a review and analysis of quarterly reports and balance sheets. In this way better conditions will be created for the more timely discovery and elimination of weaknesses and shortcomings in the work. The balance commissions must ensure the participation of specialists from various constituent parts of the higher organization, who are concerned with individual questions in the activity of the socialist organization in question, as well as representatives of the territorial financial-administration bodies, of the information computer centers, okrug state labor inspectorates, the Bulgarian National Bank and other interested bodies.

In fulfillment of the goals of improving the quality of accounting records, economic analysis and internal financial control, it is a fundamental obligation of the chief accountant to ensure compliance with the rule of law. This does not mean, however, that only the chief accountant is called upon to adhere to compliance with the rule of law. All key personnel in socialist organizations and subordinate units thereof bear responsibility for it. The chief accountant has specific obligations and is invested with special powers. He has the obligation not to carry out illegal orders. In this regard the chief accountant has the power of veto which he must use in order to strengthen the socialist rule of law and financial discipline.

The economic organization is administered on the basis of one-man management in combination with collective forms of supervision and with the participation of labor collectives and trade union bodies. Upgrading the role, powers and responsibilities of the collective administrative bodies of economic organizations and enterprises and expanding democratization in the administration of the economy is not and cannot be in contradiction of the principle of one-man management. The manager of the socialist organization makes decisions independently, with the assumption of personal responsibility, on matters relating to the economic aspects of production within the framework of the powers granted to him by the prescriptive enactments. As for seeing to it that the expenditures made conform to the law, and for the protection of socialist property, the party and the government together with the manager have set up another key figure--that of the chief accountant.

The chief accountant is the manager's assistant. His basic obligation is to see to compliance with the prescriptive documents and to protect the manager from illegal actions.

The responsibilities of the Ministry of Finance for improving the quality of accounting records, economic analysis and internal financial control are great. We must note that despite the considerable activity of the ministry the assistance and control that have been carried out in recent years are still inadequate. Considering the conditions for the implementation of economic advice and economic activity under the new economic mechanism, the Ministry of Finance must appreciably improve not only its methodological, but also its operational-control activity. Considerable work on a large scale must be done along this line. The

ministry's coordinating role vis-a-vis departmental operational-control bodies and links must be stepped up especially.

The sectorial and functional ministries know the distinctive characteristics of the economic organizations best and can most rationally and directly help as agencies of the state in directing the efforts of the financial accounting organs not only to discover potential reserves, but also to apply the prescriptive documents properly. They must organize effective and constant control over compliance with the law and efficient utilization of capital. There are better possibilities now for the sectorial and functional ministries to strengthen their links for methodological assistance and control over the results of the activity of the economic organizations.

Under the conditions of the application of the economic mechanism in territorial units, the importance of the control exercised over the financial results of economic organizations by the executive committee of the people's council is growing. This is not only due to the very position of the executive committee of the people's council as an administrative organ of the state from a territorial point of view, but also because the economic mechanism creates substantial interests for the people's councils in the efficiency of the economic activity in their territory.

That is why the assistance and control exercised by the executive committees of people's councils through specialized organs of control must now become more active, more specific and more constant so as to ensure the income not only of the economic organization in their territory, but also of the people's councils themselves. Thus the centralized income of society will be guaranteed, too.

The Ministry of Finance, the sectorial and functional ministries and the executive committees of people's councils must in future pay greater attention to studying and popularizing useful initiatives and achievements in order to increase the efficiency and organization of financial accounting activity at a faster pace.

The third question on which I want to focus your attention is a drastic change in the adoption of modern office machinery and improvement in the organization of financial accounting activity.

The successful accomplishment of the assigned tasks of improving the planned management of the economy and the socialist organization of labor requires voluminous, reliable and timely economic information. A considerable portion of this information is obtained from and provided by accounting records. In the process of improving the management of the economy, the need for additional information will grow. At the same time, expenditures for administration and the number of administrative and managerial employees will have to decrease.

As long as highly complex and perfected technology is being adopted in production processes and is being used for full mechanization and automation, we can no further tolerate the employment of primitive methods and resources in managerial activity and financial accounting. The problems in the organization of accounting records can and must no longer be solved extensively--by an increase

in personnel, but only through improvement of the organization and the resolute introduction of computer technology. Mechanizing accounting activity is a question of the future of the accounting profession. Accounting cannot be carried on in future by onerous and fatiguing mental and manual labor. The manual method of bookkeeping drives young people away from the accounting profession and there are obvious signs of their deserting it. Mechanizing the reporting processes will awaken interest in accounting work and will help attract young personnel. There are party and government decisions on these questions. The ministries, departments and okrug people's councils have adopted special programs for their implementation. For comprehensive fulfillment of this task the following have been worked out and approved: uniform classifiers, an ordinance on the circulation of documents, a uniform estimate plan, standardized primary financial accounting documents, an ordinance on centralized accounting, regulations on the functions and activity of integrated budgetary resources within the system of people's councils, model plans and programs.

For socialist organizations in which it is not efficient to process financial accounting documents by electronic computer, 586 calculators of the (Askota) and (Daro) type have been introduced centrally and distributed in recent years.

To train the personnel needed for the mechanization and automation of financial accounting, standing programs of instruction for specialists have been organized by the enterprises, institutions and organizations that are users of model plans. As a result of the work done from 1977 to 1981 an average multiplication rate of 1.5 times in the adoption of the mechanization and automation of financial accounting was achieved as compared with the preceding years. Some ministries and departments such as the Ministry of Transportation, the okrug people's councils, the National Agroindustrial Union, the Ministry of Construction and Architecture, the Ministry of Forests and Forest Industry etc. have achieved an even higher rate of adoption of mechanization as compared with the preceding year. The Ministry of the Chemical Industry and the Ministry of Power Supply have adopted plans for the machine processing of financial accounting information after they have centralized their financial accounting activity to the necessary degree.

Good organization in meeting the requirements for the mechanization and automation of financial accounting activity has been created within the Ministry of Light Industry, the Ministry of Machine Building, the Ministry of Internal Trade and Public Services etc.

The process of introducing the mechanization and automation of financial accounting activity has been concluded ahead of schedule in the central administrations of some ministries, while in others only the most labor-intensive portion of the processed accounting documents have been mechanized and automated.

What is now required of financial accounting organs is that they continue their efforts for comprehensive fulfillment of the decision of the party and government to mechanize and automate financial accounting activity.

The problems in mechanizing and automating financial accounting activity are closely linked with the setting up of a new form of organization of accounting

records, adapted to the production concept and the organizational structure of the economic organizations.

The establishment of centralized accounting is one of the forms,

[Source pages 18-19 missing]

the inefficient expenditure of resources and for creating a setting of a commonality of interests in realizing the final economic result.

The tasks indicated in this report are far from exhausting the questions and areas on which the attention and efforts of chief accountants and all financial accounting organs should be concentrated. If we make a generalization, it must be that the all-out activity of financial accounting organs must be directed towards the fulfillment of the main socioeconomic task of the Eighth Five-Year Plan, approved by the 12th Congress of the Bulgarian Communist Party. In this respect, a wide field opens up for creative initiative, rational influence and decisions on the part of every director and organizer of financial accounting activity. We are convinced that chief accountants will display creativity and initiative and will sketch in detail the tasks of their staffs in accordance with the specific conditions of the sector and sphere of activity.

In our future work to improve financial accounting activity, a guiding principle must be the requirement which Comrade Todor Zhivkov set for bringing about a change in the management of the economy on the basis of the economic approach and its mechanism. We will have to become thoroughly aware of the economic approach and on the basis thereof reorganize our work completely as quickly and as effectively as possible in order to accomplish the tasks assigned by the 12th BCP Congress.

The government is certain that the multitudinous contingent of accountants, inspired by the party's confidence and concern, will--with an even greater surge of energy, with still greater persistence, sense of principle and high professional ability--unflinching wage a ceaseless campaign to implement the decisions of the 12th Congress of the Bulgarian Communist Party for the further social, economic and cultural development of our beloved homeland--the Bulgarian People's Republic.

6474
CSO: 2200/5

EDITORIAL EXPRESSES DISSATISFACTION WITH 9-MONTH PLAN FULFILLMENT

Sofia RABOTNICHESKO DELO in Bulgarian 28 Oct 82 p 1

[Editorial: "The Value of the Remaining Days is High"]

[Text] With a sense of joy our people are becoming acquainted with the published 9-month results of the fulfillment of the Integrated Plan for the Socioeconomic Development of the Country. Behind the austere figures and percentages lies the selfless labor of the working class, the agricultural toilers, specialists and scientists, the toil of the entire nation. This is a concentrated expression of invested skills and experience, of the ability to take direction, of the increased capabilities of the country's material and technical base, of socialist competition, which more and more is becoming a nationwide movement.

The 9-month period has been one of implementing the theses coming out of the 12th Party Congress, a period in which our national economy has continued to develop in accordance with the basic aims and tasks set in the congress's decisions and Comrade Todor Zhivkov's address to the October 1981 Conference. Under the conditions of the consistent application of the new economic approach and its mechanism, a new stride has been made towards the intensification of production and service activity on the basis of accelerated introduction of the best achievements of scientific and technical progress.

What do we find impressive when the 9-month results are examined? Above all, the fact that the state planned tasks and counterplans have been fulfilled and some even overfulfilled, not only in the national economy as a whole but also in the okrugs and in certain sectors, ministries and departments. As regards an important indicator like aggregate profit, the state planned task has been 17.8 percent overfulfilled and, as regards growth rate, is 12.1 percent higher than during the same 1981 period. The highest achievements are among the work forces in the following ministries: machine building and electronics, chemical industry, internal trade and public services, light industry; and in the following okrugs: Smolyan, Pernik, Silistra and Vratsa. Also, an 8.9-percent higher-than-targeted social productivity of labor has been achieved, which is 5.1 percent higher than that attained in the 1981 9-month period. Agriculture developed favorably too, achieving high results especially in plant growing. New production capacities were also introduced during this period. The country's foreign trade relations developed normally despite certain

unfavorable conditions, with cooperation with the fraternal CEMA-member socialist countries expanding still more.

On the basis of this plan fulfillment in respect of the main economic indicators, as the 12th Party Congress determined, the policy of raising the working people's living standard continued. During the 9 months the average wage increased without outstripping the growth in the social productivity of labor. The population was provided with 5.6 percent more locally made goods and 7.8 percent more from imports than during the 1981 9-month period, and 7 percent more domestic services were performed. Domestic market data show that 8.5 percent more goods were made available than targeted in the plan. This, actually, is the best illustration not only of the increased capabilities of our national economy, but also of the citizens' increased abilities to satisfy their needs more and more fully and completely.

As good stewards of our state, we have the right to be proud of what we have achieved by our own labor. But good stewards first of all take a close and rigorous look at what has not been completed or has not been completed as it should have been. Good stewards never let themselves become complacent and lax, because from their experience of life they know that the greatest threat to progress is complacency.

Analysis of the 9-month results of fulfillment of the Integrated Plan for the Socioeconomic Development of the Country also discloses facts to which we cannot help but give special attention. Concealed behind the high results achieved in the okrugs, sectors, ministries and departments as a whole are quite a few enterprises which have fulfilled neither their counterplans nor the state plans. For some of them this has become a practice. Such enterprises not only contribute nothing to the development of our economy, but in fact are a burden on it. And strange as it may be, the heads and specialists of the trusts and ministries shirk visiting these laggard enterprises and work forces. But visiting every enterprise that is failing to fulfill the plan and rendering on the spot whatever assistance is required is precisely what is needed now. It is not only an extremely urgent, but also an entirely feasible goal that during the next 2 months all laggard enterprises should be helped out of this situation and should wind up the year worthily fulfilling their plans.

Labor collectives throughout the country started off the year with high enthusiasm and good organization and set a fast pace for the principal economic indicators. This fast pace must be maintained during the remaining 2 months of the year. Only thus can the good results of the 9-month period be held firm and even higher ones achieved for some indicators. The opportunities and potentials for cutting material expenditures still more significantly have not been exhausted. Quite to the contrary, in many enterprises and entire sectors some of the potentials for economies, as has been stated, have not even been touched. It is a matter of much stricter and more economical expenditure of raw materials, supplies and energy; vigorous curtailment of every attempt to overstock; and uncompromising actions against extravagance and waste.

Quality of output is a great problem which necessitates taking effective measures. Highly competitive and high-quality output are opening up great opportunities for the country in the domestic and foreign market. What has been achieved, however, must not satisfy us, but calls for new efforts, all the more so since the quality of output is not something frozen; it is constantly developing and needs constant improvement. It is an old and familiar task, but at the present stage of our development it assumes strategic importance. And it applies not to one sector or one department or ministry, but to all without exceptions, to the entire national economy.

Serious and very crucial work has to be done in construction before the end of the year. The main efforts must be aimed at bringing targeted production capacities on stream and delivering targeted housing units. The tasks confronting agriculture are just as important. Apart from the final harvesting, storage and utilization of the good crops, serious work must be done in the area of animal husbandry; conditions for faster tempos, as are quite perceptibly to be observed in plant growing, must be created in this sector, too.

The days until the end of the year are numbered, which means that every one of them is of very great worth. During these days the collectives of the enterprises are called upon to protect the honor of their labor by fulfilling and overfulfilling their counterplans. In their campaign for high production results, communists--in their capacity as organizers as well as doers, in their capacity of champions of new ideas and solutions as well as implacable foes of anything impeding development--must take the lead, in keeping with duty and conscience. During these days primary party organizations, plant, obshtina and okrug party committees will have to increase and step up their organizational and political work still more. The Bulgarian trade unions are likewise called upon to close ranks and mobilize as a social guarantor of the counterplans, as is also the Dimitrov Komsomol. Our experience in working with the people, in organizing them and rousing them to mass socialist competition is abundant. That competition is needed now, it must become a nationwide cause and encompass every toiler, every collective, the entire country.

6474

CSO: 2200/22

BULGARIA

INDUSTRIAL PRODUCTION DURING THE JANUARY-OCTOBER 1982 PERIOD

Sofia IKONOMICESKI ZHIVOT in Bulgarian 24 Nov 82 p 4

[Report by Committee on Integrated Social Information System, (2)2 November 1982, Sofia, with comment]

[Text] During the January-October period the plan for the production of commodity output was 1.8 percent overfulfilled, and that for monetary receipts from the sale thereof 2.0 percent.

The volume of commodity output increased 4.1 percent over the corresponding 1981 period.

Fulfillment of the 10-month plan for the production and sale of commodity output, broken down by ministries and departments, is as follows:

Ministries/departments	Commodity output produced	Commodity output sold
Total:	101.8	102.0
including:		
Ministry of Power Supply	100.6	101.5
Ministry of Chemical Industry	101.6	102.3
Ministry of Forests and Forest Industry	102.6	101.5
Ministry of Machine Building and Electronics	101.5	101.8
Ministry of Light Industry	102.1	101.1
Ministry of Construction and Architecture	99.9	198.6
Ministry of Transportation	97.9	97.7
Ministry of Internal Trade and Public Services	102.3	101.1
National Agroindustrial Union (excluding agricultural organizations)	103.4	104.5
Central Cooperative Union	101.8	100.5
Ministry of Communications	101.2	101.2

[Table continued]

Ministries/departments	Commodity output produced	Commodity output sold
Ministry of Metallurgy and Mineral Resources	98.3	97.9
Capital City People's Council	103.2	102.9

The production of certain industrial products during the 10 months and the rate of growth in comparison with the corresponding 1981 period were as follows:

Product/Unit of measurement	Output produced	Rate of growth
Electric energy, 000,000 kwhr	32,414	109.3
Coal, 000 t	27,935	107.8
Pig iron for processing, 000 t	1,334	104.5
Steel ingots, 000 t	2,171	103.5
Steel tubes, 000 t	225	101.0
Internal combustion engines, each	19,619	116.6
Machine tools built out of standard units, each	154	115.8
Driving axles for "Liaz [vehicle made by Likino Bus Plant]-Madara [Truck Com- bine in Shumen]," each	13,932	108.7
Engine trucks, each	19,430	113.5
Electrotelphers, each	105,824	101.2
Power tools, each	285,004	104.7
Synthetic fibers and rayons, t	85,040	102.1
Oil paints and varnishes, t	44,744	102.4
Asbestos-cement pipes, 000 m	2,234	105.0
Softwood boards and pieces, 000 cu m	574	104.7
Wood fiberboard, hard, 000 sq m	23,122	104.9
Furniture, 000,000 leva	351	107.9
Paper, 000 t	288	101.4
Sheet glass, 000 sq m	20,599	113.6
Household glassware, 000 leva	26,292	113.5
Cotton fabrics, 000,000 m	301	102.6
Woolen fabrics, 000,000 m	33	103.1
Silk fabrics, 000,000 m	0	100.7
Knit underwear, 000 garments	62,664	103.3
Sewn goods, 000,000 leva	574	111.4

[Table continued]

Product/Unit of measurement	Output produced	Rate of growth
Shoes, 000 pairs	15,436	101.2
Meat, 000 t	396	103.3
Meat products, 000 t	82	104.8
Butter, 000 t	19	109.2
Brynza [a sheep's milk cheese], 000 t	88	100.2
Kashkaval [a yellow cheese], 000 t	23	113.5
Sugar, 000 t	317	101.2
Processed cured tobacco, 000 t	88	109.4
Tobacco products, 000 t	72	100.9

The results achieved in industry during the 10 months are better than anticipated. Conditions have also been created for overfulfillment of the annual state planned tasks as well as the plans for the basic indicators.

For overall fulfillment of the annual plan, as well as achievement of the tasks assigned at the October Conference, attention must be concentrated during the days remaining until the end of the year in the following directions:

--Acceleration of sale of output. Economic organizations in almost all sectors permitted slippage in this regard during October.

--Most rational utilization of material resources. The facts show that, despite overfulfillment of the plan for material inputs per 100 leva of output, at quite a few enterprises and economic organizations the planned tasks are not being fulfilled.

--Full-time utilization of capital production assets. During the 10 months the following production capacities were utilized to a lesser degree than envisaged in the state planned tasks: cast iron, steel, rolled ferrous metals, internal combustion engines, machine tools, tractors, polyvinyl chloride, chemical fertilizers and some others.

6474

CSO: 2200/31

AGRICULTURAL PRODUCT PRICES FOR 1983 PUBLISHED

Budapest SZABAD FOLD in Hungarian 20 Nov 82 p 4

[Text] Farmers have always been requesting to be informed in due time about what prices they can expect. Their wish has now been granted, although not too far in advance. The No 44 issue of MAGYAR MEZOGAZDASAG contains 11 pages listing the producer prices for 1983.

Let us begin with what the farmers are selling. Here the price increases for next year will be minimal. The bulk-purchasing prices will rise more substantially in the case of unpolished rice (by 150 forints per quintal) and sweet lupine (by 100 forints per quintal). Next year farmers will be getting 336 forints per quintal of durum wheat, 316 forints per quintal of rye, and 1470 forints per quintal of rice. The farm that sells at least 12 percent more grain next year than in 1982 will get a bonus of 60 forints per quintal. Incidentally, the bulk-purchasing price of corn will be 336 forints per quintal, the same as for wheat. In the past the price of corn was always lower. The other prices include 386 forints per quintal for brewer's barley, 850 forints for sweet lupine, and 800 forints per quintal for broad beans. The prices of barley, wheat for feed, and triticale will be identical, 311 forints per quintal.

Sunflower seed that has a high oil content will fetch 910 forints; coleseed, 590 and 650 forints respectively; soybeans, 1100 forints. There are many different types and grades of tobacco, and the prices also vary. The prices per quintal for hands of primed tobacco leaves are as follows: Szabolcs, 6600 forints; Kallo, 6100 forints; garden [a regional variety developed in Tolna and Heves Megyes], 7800 forints; Havanna, 7100 forints; and Burley, 8600 forints. The price of Heves stalk-cut and dried tobacco will be 1400 forints per quintal. The price paid for sugar beets varies with the sugar content, between 5.60 and 5.90 forints per percentage point.

Growers will get 810 forints per quintal for fresh spice peppers, and 990 forints if strung. The indicated price of hops ranges from 20,000 to 27,000 forints. The indicated price of autumn table potatoes, for varieties in the first group, is 330 forints per quintal. The indicated prices per kilogram of winter apples in September will be 7.50 forints for exceptional quality and 5.10 forints for grade I; in April the corresponding prices will be 9.50 and 7.00 forints respectively.

The prices of fruits and vegetables have been set as floor prices, which means that purchasing agents may not pay the producers less. The prices per quintal of the more important vegetables and fruits are as follows: Red onions, 340 forints; carrots, 150 forints; parsley, 350 forints; table tomatoes, 280 forints;

tomatoes for industrial processing, 175 forints; green peppers, 550 forints; red tomato peppers, 250 forints; best-quality industrial green peas, 770 forints; hand-picked green beans, 550 forints; best cucumbers, 1000 forints; watermelons, 180 forints until 1 August and 150 forints thereafter; large apricots, 800 forints; grade A peaches, 900 forints; Pand morello cherries, 1600 forints; large strawberries, 1500 forints; and table grapes, 1000 forints.

Depending on weight category and type, hog prices range from 34 to 29.50 forints per kilogram of live weight. Floor prices of 36 and 40 forints per kilogram have been set, respectively, for starter pigs and piglets. The prices of slaughter cattle are 40.50 forints per kilogram for prime grade, and 31.50 forints for the lowest grade. The prices for young heifers range from 37 to 28.50 forints; and for mature cattle, from 37 to 28 forints per kilogram. The floor prices for slaughter calves are 42 forints per kilogram if suitable for raising, and 36 forints for slaughter grade. The price per liter of grade I milk will be 6.70 forints in winter, and 6.10 in summer. The price of the best wool is 121 forints per kilogram.

So far as the prices paid by farmers are concerned, among the feed grains the price of feed barley, wheat and rye will be uniformly 351 forints per quintal. Shelled corn will cost 376 forints per quintal; bran, 300 forints; ground sunflower cake, 880 forints; soybean meal, 1200 forints. There are very many different types of industrially mixed feeds. For the sake of information, we are listing the wholesale prices per quintal of the most important types: feed for fattening poultry, 607 forints; the best feed for layer hens, 625 forints; feed for starter pigs, 1258 forints; feed for fattening hogs, 857 forints; feed for dairy cows, 485 forints; feed for fattening cattle, 476 forints; feed for fattening lambs, 468 forints; uniform rabbit feed, 525 forints; uniform dry mix for broilers, 938 forints; and uniform low-grade flour, 392 forints.

Regrettably, next year the prices of plant protectants, herbicides and farm machinery will increase by 18 to 19 percent on average. But the good news is that the prices of manufactured fertilizers will remain unchanged.

1014
CSO: 2500/71

PROSPECTS FOR PRICE STABILIZATION ASSESSED

Warsaw TRYBUNA LUDU in Polish 29 Nov 82 pp 3, 4

[Article by Ryszard Bilski: "How Many Zloty Coins Per Thousand? Wallets Are Fuller Than Shelves"]

[Text] The announcement of price reforms first provoked deadly fear. Then, as the entire truth about the state of our economy (statements and professional reports) reached the public--that foreign loans had come to an end and the budget has been restimulated through an increase in the issuance of currency without backing--fear and anxiety began to give way to reason.

It became clear and obvious that if the over 10-year stagnation in the area of prices would not be broken and the artificial fixing of these prices would not be ended, then the chance to pull out of this crisis would be ruined.

With time, even this judgment began to be transformed into impatience. One became aware that every day of life according to the old price systems meant the necessity of carrying out the price increases on the following day. Even an adage began to circulate: The later it is, the more expensive.

The development of these views, judgments and opinions also yielded excessive hopes and expectations. It is universally accepted that the establishment of real prices and the introduction of new rules for determining them will have immediate--and obviously favorable--effects, and will yield an abundance of goods for the market.

The price operations carried out at the beginning of 1982 and the resulting significant growth in living costs resulted in--speaking in the most general terms--the current income of the people falling in with the existing supply capabilities.

The currency remained linked, above all, to more expensive food.

As a result of the reforms in retail food prices, there was a distinct improvement in the ratio between prices and costs, and between the retail

prices and procurement prices of agricultural products. A comparative rise in the prices of food supplies, which is in keeping with regulations throughout the world, also occurred.

The rapid growth of the inflationary curve was checked.

A rise in the population's consumption, which began at the moment of the increase in prices reached and then exceeded (during this past April and May) the level assuring stability. From every 1,000 zloty of earnings, the population appropriated an average of 900 zloty and more for goods and services. This occurred, however, under another incomplete condition: goods in reserve were barely adequate for 20-22 days instead of the 70 days.

This state lasted a short time. Consumption began to fall, stopping at and even temporarily approaching the level assuring stability. (This was in July, when higher consumption was associated with holidays, the purchase of expensive fruit at that time, etc).

Consumption began to fall because, first of all, after the distinct process of income reduction, persisting since 1980, a reverse process began. It was rather moderate at first and, for the majority of us, perhaps even imperceptible and with unquestionable wavering. However, in September, the curve of earnings (real, as well) began to "straighten out" quite clearly.

Secondly, the rise in consumption was more rapid due to the rise in production. Therefore, a large percent of the money received in advance could not be exchanged for goods.

Thirdly, to a great degree price "robbery" (especially in contract prices), which there is no use hiding, impeded for some time the closeness of the market to a level of stability, obviously through the public costs.

To sum up: the cash people held increased. Goods in the marketplace did not. Out of necessity, a portion of the currency remained in our wallets. It is not surprising that the charge, "The price went up and it's not available" is heard so often. The public cannot understand how it can happen that, before, unprofitable and subsidized industry produced more than now, when it is profitable.

Profitability does not ensue from production growth and from a decrease in prices. It is not the result of efficiency measures. It was secured thanks to the new pricing system.

Noting the achievement by enterprises of financial independence as a favorable effect, it must, however, be plainly and distinctly said that the creation of efficient checks against taking unfair advantage of prices for an easy gain of high profits is now indispensable.

One of these is to be an anti-inflation tax, or the obligation of coproducers-monopolists to adapt regulated prices in place of agreed upon prices. In addition to the checks, stimuli for the development of production founded on healthy, economic bases, and for the development of activities equally beneficial to the enterprise as well as to the entire economy are indispensable. Among the detailed aims, the development of export and the creation of conditions for a fully profitable foreign exchange emerged as foremost. The restoration of the disrupted relationship between the level of prices for raw materials fixed in 1981 at the exchange rate of 50 zloty to the dollar and the level of prices in export, where the settling of accounts is based on an exchange rate of 80 zloty to the dollar is, among others, indispensable.

The pricing mechanism itself, in order to be the best, is not sufficient. It must be supported by other economic instruments. There was a lack of an incentive system at the same time, and those things acting as substitutes for a solution in some sense, instead of clearing the way with effective initiative and work, impeded it. The authors of the practical solutions to the new financial system, among others, were too dismayed by the spectre of unemployment. Generally speaking, a sudden and too radical technical improvement in occupations, mass dismissals, an excessive rise in wages and a flow of too much currency onto a stripped market were feared. Taxation of an average wage not only averted these perils but generated a series of actions not in keeping with the general spirit of economic reform. Not getting into details, let us remember that instead of the expected unemployment, there began a very serious labor shortage with production declining until this July, inclusive!

The short-lived marketplace effect, by leaping or even--as some are saying--jolting changes in prices at the beginning of 1982, tends toward the general conclusion that to carry out increases in a similar area and on a similar scale is not called for in the future.

It seems that the pricing policy--since bases were created for such policy (making production profitable, and substantial limitations on subsidies)--should now be more uneventful and measured, spread out over a series of stages, or even substages, advancing toward a desirable pricing system.

Great attention should be paid to polishing up and utilizing the remaining mechanisms of economic reform, without which the prices do not have adequate strength to penetrate and affect the growth of production, export and the reduction of manufacturing costs.

As it appears from information obtained from the Price Office, in the following year the inflation indicator should stay at a level of 7-8 percent; increases will occur more slowly and be smaller, and the issue of currency without backing will be less.

As is maintained today, the most serious will be the increases dealing with transportation-communication services and the forecast reform in rents.

In the area of food products, no greater price activity is forecast. We can expect an introduction into the market of goods from the group included under state control and also sales of non-state-controlled goods. Obviously, this will be at higher prices, which would allow a further decrease in the subsidizing of food. Nonetheless, a basic condition would have to be met: the assurance of supplies at the state control level.

But will anything become cheaper? It will still be for a long time--this is certain--that lowered prices will not result from the growth in production and supply. However, we can count on a definite move toward the lower end in the prices of manufactured goods, and this would still be within this year. Simply, for fear of the restrictions which might be encountered in obtaining excessive profitability (taxation, divestiture of the privilege to fix independently agreed upon prices, the adoption of regulated prices, etc), enterprises will now be seeking ways and means to decrease profits. And the most efficient and quickest will be the lowering of prices.

The measured pricing policy set for the coming year should find support in the growth of production. This growth is already perceptible, but it is still less than our needs and capabilities. Reserves continue to be small. If, therefore, the "widening gap of the scissor blades" between our growing wallets and the stocking of store shelves is not halted, then at that time we will find ourselves on a dangerous path to an inflation and drop in the living standard considerably deeper than in the previous year.

The fact that reserves, although at a very low level, have a tendency to grow, can fill one with certain optimism. It settles down the marketplace. It promotes a stabilization of prices.

9891

CSO: 2600/116

PARAMETERS OF ECONOMIC REFORM QUESTIONED

Warsaw ZYCIE WARSZAWY in Polish 24 Nov 82 pp 3, 6

[Article by Assistant Professor Andrzej Kierczynski, member of research staff at General School of Planning and Statistics: "The Shifting Objective"]

[Text] The press recently reported (cf., ZYCIE WARSZAWY, 9 Nov) on complementary proposals to economic reform. Among other things, a proposal is found introducing the standard of net production as the new basis for assessing efficiency in the function of enterprise. The question arises--is this but a slight modification, or also a fundamental change in a system of functioning for enterprise under economic reform conditions? It is worthwhile to look at this problem more broadly, from a perspective of subsequent modifications in the economic-financial system.

A majority of theoreticians in the sphere of political economics agrees that the objective of socialist enterprise activity should be participation in the achievement of the general social objective, which is providing for society's needs. However, this agreement ends at the moment attempts are undertaken to convert the general social objective to the objectives of individual enterprises. Many controversies and conflicting opinions occur in writings on the subject. As an actual consequence of this, enterprises are compelled to constantly readjust in the aftermath of its search of the "golden" standard which could be the universal objective of enterprise in current production activity.

The depth of these readjustments is clearly evident in comparing objectives set for enterprises in recent years. Assuming the early 1970's as a point of reference, the situation--in abbreviated form--appeared as follows:

Prior to 1973, in the planning system, based on prescribed methods, the chief objective which determined the driving force in the performance of enterprises, was the accomplishment of planned prescribed functions. The plan included a set of production objectives which enterprise was committed to execute. It is possible to add to them primarily, functions pertaining to the size and structure of production, as well as functions in the area of export. The profit indicator functioned parallel to the barometer of production size. It determined the basis for bonus awards to the work forces of enterprise.

In the system of WOG [large economic organizations], a diametrical change in the character of compulsory objectives occurred, inasmuch as we have passed to the appraisal of enterprises on the basis of economic progress achieved. The principal microeconomic objective as reflected in the plans of enterprises, became the acquisition of most favorable production results expressed in the growth of value-added [excluding material services] production. Profit functioned parallel to value-added [excluding material services] production as a complementary objective, reacting with similar force on the selection of strategic procedure by a given enterprise, and simultaneously supplementing value-added [excluding material services] production in the area of influencing the economy with outlays of direct labor and fixed assets.

In the year 1981, which is the foreground for economic reform, a new standard was tested in the operational practice of enterprises. Within the framework of the so-called little reform, the barometer of appraisal and, by the same token, the chief objective of enterprise activity, was net production. The motivating influence of net production was very strong, inasmuch as it was linked to the reward system in enterprise.

Economic reform introduced since 1 January 1982 brought a new autonomous goal to enterprises which had not been practiced in prior changes in the model of socialist enterprise. For the first time legally binding regulations were put in effect stating that the function of enterprises should be activity with the attainment of profit as its goal.

This innovative, systemic solution however, soon aroused the apprehension of legislators regarding the consent of enterprises to work with the general social goal. Already in August of this year, on the basis of Resolution 186, a complementary if not competitive goal was introduced--which will be discussed in a moment--in the form of sold production.

But this is not the end of changes, inasmuch--as was stated in the introduction--another modification in the system is foreseen. For in 1983, next to profit, a new operational goal in conjunction with the previous half-year is to appear in the form of net production, which must result in another readjustment for enterprises.

The evolution of operational goals of enterprises presented schematically and simply permits the formulation of several observations. The elevation of profit to principal operational goal for enterprises was a very bold solution commensurate with the establishment of innovative economic reform. Let us remember that a dual criterion in the method of evaluation was employed in large-model economic organizations--value-added [excluding material services] production and profit, in which the function of profit was paralyzed by an excessively strong tax guillotine. Reliance of the financial system on one goal--profit--was innovative not only from economic considerations. This likewise presented a turning-point on the political level, inasmuch as the dogma of the uselessness of profit in socialist enterprises has suffered long enough in economic circles.

In assessing the first half-year of official reform, it is necessary to state that profit in its role as a microeconomic goal passed the test. The majority of national enterprises began to operate as profitable units. The Central

Statistical Office [GUS] announcements substantiate this, advising that budget revenue from profit for the first half-year was sufficient to cover total revenue planned for 1982.

Therefore, the introduction of the new barometer at the end of August in the form of sold production, was probably premature. For it seems that the negative sides of profit could themselves disappear over the longer term, and an attempt could be made to achieve market production growth by introducing economic instruments from the rich arsenal of the parametric model of enterprise. After all, profit could not grow in an uncontrolled manner, because the taxation guillotine was very effective and reduced the gained profit of enterprise by 70-90 percent (cf., A Murat: "A Double Nelson"; ZYCIE WARSZAWY 1 Oct 1982). This supposition is confirmed by the fact that since 1 January we already wish to depart from the standard of sold production and embrace net production. At the same time, a relaxation in tax regulations is being planned.

Consequently, in assigning priority to the microeconomic goal again in the form of profit, the creation of adequate conditions is indispensable for its full and correct achievement through:

The guarantee of a parametric system of reinforcement. Starting with the new year, a complete arsenal of parametric instruments should be introduced. Equally indispensable is the gradual withdrawal of directive-type measures being issued presently in excessive quantities by a series of sectors of middle level (associations, plenipotentiaries).

Stabilization of the rules of play. The order of the day is the ultimate stabilization of the rules of economic play. Enterprises, must know the binding parameters earlier. In the majority of spheres of operational production, innovative enterprises require a time frame surpassing the framework of the National Socioeconomic Plan [NPSG]. Besides, the introduction of new barometers causes the imposition of their fields of influence on profit. This leads to compulsory competition in operational objectives.

A change in the role of microeconomic planning. Parameters used in the new model of the function of enterprise must acquire a character of long-term norms. This will permit an extension of the time frames of plans drawn up for enterprises, thereby creating an opportunity for releasing innovative and proexport initiatives.

In conclusion the question arises, When will the microeconomic goal assigned to enterprise acquire a stable character? The answer to this question has far-reaching consequences. A package of legislative reform records is based on the profit standard as a fundamental principle. This is exceedingly significant, inasmuch as profit is the basis of one of the three S's--self-financing. The projected dual criterion method of assessment, with net production as the probable dominating standard (because we regard a reduction in the tax scale as inadequate), over the longer term, impairs the meaning and essence of self-financing activities of socialist enterprise.

9951
CSO: 2600/101

STRUCTURE, DISTRIBUTION OF WORK FORCE EXAMINED

Bucharest REVISTA ECONOMICA in Romanian No 44, 5 Nov 82 pp 21, 24

/Article by Reader Dr Angelica M. Vrabie: "Socioeconomic Requirements for Efficient Use of the Work Force"/

/Text/ Party Secretary General Nicolae Ceausescu said, "We must always bear the well-known fact in mind that work is the controlling factor for development of the productive forces and for any society's progress." (1) But the work force's contribution to general progress depends on how it is combined with the production means and on the workers' opportunities to make their work creative. From that standpoint, social ownership of the production means in socialism eliminates exploitation and oppression and thereby provides the best conditions for all-around development of the individual's personality and for application of his initiative and creative ability.

The work force stimulates socioeconomic progress by increasing both the employed population and the efficiency with which it is used. Since the quantitative growth of the work force is limited, primarily by the physiological aspects of its reproduction, under the conditions of the present scientific-technical revolution the importance of its efficient use is constantly increasing, as well as the urgent necessity of socialist construction, the transition from extensive to intensive development, in Romania at the present stage. In this connection, Nicolae Ceausescu concluded that "In the present stage of socialist society's development we must do our utmost to produce as much as possible as well as possible and in the best possible quality, and to constantly enhance effectiveness, the net output and the national income as the basis of social progress and the people's greater welfare." (2)

But the most efficient use of the work force, which is essential to the transition to a new quality, has some basic requirements, first among which is improvement of the public's qualification and general instruction because the labor, being better and more complicated than the average social labor, requires a work force that costs more and takes longer to train and is accordingly more valuable and produces relatively higher values in the same period of time.

Improvement of the work force's qualifications is essential to regular promotion of technical progress, which demands the most productive use of the new

installations, perfected technological processes, and better use of the energy sources and natural resources, and that means radical qualitative changes in the working conditions and personnel with qualifications enabling them to keep adjusting to the new requirements of modern equipment.

The increasingly intensive training of the Romanian work force is evidenced by the fact the school population in the 1980-1981 school year included one-fourth of Romania's entire population, placing Romania among the most developed states in the world in that respect. Improvement of the Romanian work force's qualifications is attested particularly by the rise of the general level of instruction from about 4 years in the First Five-Year Plan to 10 years in the 1976-1980 period, while 12-year education is to be expanded by 1990. The outlays from the state budget on education have been regularly increased for this purpose, being 14 times greater in 1980 than in 1950 (that is 17 billion lei compared with only 1.3 billion lei). Over the same period the evolution of the social product and the national income exceeded that of the outlays on education, indicating more efficient use of the work force.

The extent to which improvement of occupational qualifications stimulated more efficient use of the work force and the growth of the national income can be expressed by the coefficient of advance of the average annual growth rate of the national income over the portion of the national income allocated to education.

The fact that 1 percent of the national income allocated to education increased the national income by 1.73-2.13 percent in the 1965-1980 period, as well as the national income's greater growth than that of the outlays on education, prove that improvement of the individual's occupational qualifications and general instruction is the most effective productive force in society. This policy has been continued in the current five-year plan, wherein the state outlays to develop the material base and to finance the process of education and to grant scholarships and other material aids to pupils and students are 1.58 times greater than in the previous period.

Moreover, as Nicolae Ceausescu pointed out in the Report to the 12th RCP Congress, "Further development of education on the basis of the latest scientific and technical advances, polytechnical training and close correlation with production and research is an essential aim of the five-year plan, as well as thoroughly organized qualification of the work force, generalized retraining of personnel, and improved occupational training of all workers." (3)

Of course efficient use of the work force requires the most extensive possible mastery by the workers of the increasingly advanced, complex and diversified disciplines demanded by scientific and technical progress, since as we know the most perfected means of labor in the national economy's inventory now depend more exclusively than ever upon the level of qualification, in regard to both their creation and their most efficient use. The growing proportion of workers trained in schools is significant in this respect, alongside the termination of on-the-job apprenticeship, which existed only in the decade of 1971-1980. Meanwhile the close correlation of education with production provides for the schooling of well and comprehensively trained workers, making it increasingly possible to avoid such negative phenomena in production as high percentages of rejects, violations of the standards for size, structure and quality, premature wear and

tear on parts or equipment, and irrational consumption of raw materials and energy, phenomena that necessitate extra outlays on production, unjustifiably burden costs and detract from the national income.

The fact that hiring of new quotas of young workers with general cultural and more advanced occupational training has steadily and increasingly overtaken the retirement of the groups of pensioning age who have more limited qualifications (but who partly compensate for their lack of school training with knowledge acquired from long experience) is a factor favoring intensified occupational training by schooling. Moreover the increase in the number of pupils in expertise education by more than 2 times and that in the number of students in higher education by about 1.25 times in the 1980-1981 school year compared with 1965-1966 bear witness to the state's efforts in this direction as well as the occupational qualification of the work force in higher forms of education with good effects upon the efficiency of its use.

The fact is significant for intensified occupational training that at the end of the current five-year plan the school population will amount to about 27 percent of the total population, over 200,000 students will be in higher education, especially technical education, about 20 percent of the graduates of 10-year education will be in occupational education, experience in production will take up about one-third of the educational program, and about 2 million persons a year will be in the retraining programs. Accordingly 89 percent of the total working personnel will be qualified personnel.

Efficient use of the work force also heavily depends upon the existing ratios between the numbers of workers, technicians and experts, between the numbers of staff and auxiliary workers, and between the numbers of directly productive workers and service or nonproductive ones, or in other words upon the structure of the work force according to occupational categories. This aspect has also been steadily improved during the years of socialist construction and especially since the Ninth Party Congress. While the employed population increased by 106.9 percent in the 1965-1980 period, working personnel increased by 170 percent, so that the proportion of working personnel in the total employed population now comes to more than 70 percent and will be even higher at the end of the current five-year plan because 580,000 more new jobs will be created.

The closest possible correlation between the level of the workers' occupational training and the job requirements is particularly important in this connection. This is necessary because the efforts toward a worker's occupational training are not entirely fruitful when the level of the work force's training is higher than the technical level of the equipment with which the worker with the respective qualification works, and when the technical level and complexity of the equipment is above the level of training of the workers who service it, the respective investment cannot be effectively exploited. In both cases the growth rate of the national income is retarded. Note in this connection the intensive supply of the Romanian economy with machinery and equipment and the increase by 9 times, in the whole stage of constructing the socialist economy, in the volume of fixed capital, in which the proportion of fixed productive capital amounts to 72 percent. This made it possible for the volume of fixed productive capital per employed person to be increased by 6.7 times in 1980 compared with 1950. As Nicolae Ceausescu said in connection with these problems at the Plenum of the

RCP Central Committee of 7-8 October 1982, "We have a modern industry. In many sectors we have introduced mechanization and automation and progressed to computers, microprocessors and robots, but labor productivity is not increasing at the rate of introduction of the modern production methods." That is why the party secretary general requested more emphasis on personnel training and further improvement in their occupational training, especially in the fields of mining, petroleum, power etc., where extensive programs for technical and technological modernization have been planned without fully providing for the training of the necessary personnel.

Efficient use of the work force critically depends upon the nature and socioeconomic role of the field and sector of production where the activity goes on. As we know the national income in both its material and value forms is created by the workers in the field of material production, a field that determines the whole shape of the economy.

But the ratio of the population employed in the productive area to the size of the national income also depends upon the population structure by sectors and subsectors according to the intensification of the social division of labor. It is significant for efficient use of the work force that the population employed in agriculture decreased from more than 74 percent in 1950 and about 57 percent in 1965 to less than 30 percent at present, with a corresponding gain in the population employed in the nonagricultural sectors and especially in industry, which sector accounts for about 36 percent of the employed population compared with 19 percent and 12 percent respectively. Improvement of the structure of the employed population in favor of nonagricultural activities has a good effect upon both the size of the national income and its growth rate. The situation is partly due to the fact that in the nonagricultural sectors the employed population has a higher qualification, and since it can service the advanced equipment better it creates more national income than the agricultural population, and partly to the fact that the growth rate of the national income from the nonagricultural sectors is higher than that from agriculture because of the greater possibilities for assimilating technical progress and for improving the use of the work force more rapidly on that basis.

In view of the structural elements of the work force, the efficiency of its use can be expressed by the coefficients of dependence of the shares of the sectors in the structure of the national income upon their shares in the structure of the employed population. The coefficients are given in the table below.

The evolution of the coefficients of dependence reflects the fact that most of the national income was created in the nonagricultural sectors, where the technical equipment of labor is better than it is in agriculture. Industry, construction, transportation and telecommunications contributed 60 percent of the newly created value in 1965, 74.4 percent in 1970, 73.2 percent in 1975, and 74.4 percent in 1980. The higher coefficient in industry throughout the period and, with the exception of 1975, in construction, transportation and telecommunications as well indicates that in that basic sector of the economy the share in the national income far exceeded that in the volume of the employed population. The index of advance fluctuated between 1.65 and 2.54. In other words, the national income from industry was created with less expenditure of manpower than in the other sectors. In 1980 it was about 4 times less than in agriculture and 1.5-1.6

times less than in construction, transportation and telecommunications. Nevertheless the distribution of the work force among the sectors is still not entirely satisfactory. As the party secretary general pointed out at the Plenum of the RCP Central Committee of 7-8 October 1982, "We still have many people in many sectors whose presence in the respective jobs is not fully justified... We must give this matter particular consideration because there are sectors with serious shortages of manpower... especially in mining and even in construction, as well as in other activities."

Evolution of Coefficients of Dependence of Sectors' Shares in Structure of National Income Upon Their Shares in Structure of Employed Population in 1965-1980*

Sectors	Years			
	1965	1970	1975	1980
Industry	2.54	2.52	1.95	1.65
Construction	1.27	1.33	0.94	1.06
Agriculture	0.51	0.38	0.43	0.42
Transportation and Telecommunications	1.08	1.40	0.94	1.03

*Source of figures: "Statistical Yearbook of the Socialist Republic of Romania 1981," Central Directorate of Statistics, pp 98, 120-121.

It is a fact that productive work is the direct creator of the national income. But the intensified social division of labor makes it possible for some distinct groups of productive sectors to appear that are distinguished by the stockpiling of their products in the human resources at a given time and their use not only in current periods but especially in the future ones. We refer to the development of education and culture in improving the work force's instruction as required by modern production, amplification of the contribution of scientific research to the better use of material resources, modernization of manufacturing technologies, improvement of all the qualitative parameters of production, intensified urbanization and the consequently growing demands of the public, to say nothing of the contribution of development of medical care and social insurance to the maintenance of the workers' health, extension of their active lives, and growth of the productive power of labor.

According to the Romanian laws in force, the duration of active life is from 16 to 62 years for men and from 16 to 57 years for women. As of 1 July 1978 about 57 percent of the total Romanian population fell within those limits, which is a favorable point especially when we consider that about 50 percent of this category belonged to the most productive groups, between 25 and 44 years of age. And thanks to the better and better working and living measures taken by the party and state, the average duration of active life has been about 90 percent of the maximum in recent years and it will be prolonged in the future.

If the work force is to be used as efficiently as possible, maximum use must be made of the whole reserve of working time within the strict limits of the socially necessary working time, and the Romanian economy has made notable progress in those directions. In industry for example the index of use of the maximum

available time reserve has been over 94 percent since 1970. In some sectors and in agriculture especially it is much lower. The new agrarian revolution will have, among other things, the qualitative effect of use of working time at higher parameters.

Scientific organization of production and labor, prompt performance of service tasks, every workers more complete understanding of his threefold capacity, and strengthened labor discipline and order have an important part to play in maximum use of the entire reserve of working time.

Short of limiting the requirements for the greater efficiency of the work force to those under investigation, it should be said that in the current five-year plan (of quality and efficiency) they will be expanded more and more and their contribution to growth of labor productivity will be increasingly great. On that basis alone labor productivity computed according to net output will be up 140.4 percent in industry and 130.1 percent in construction-installation, as factors basic to the 141.1 percent increase in the national income that is essential for joining the ranks of countries with medium economic development.

As Nicolae Ceausescu pointed out, it is in socialist Romania's power to carry out the great provisions of the 12th Party Congress: "We now have workers with long experience, we have engineers and technicians, we have strong research forces, and we have good education, that is forces that can solve the problems of quality in all fields by acting in close unity." (4)

FOOTNOTES

1. Nicolae Ceausescu, "Speech of 1-2 June 1982 on the Present Stage of Socialist Construction in Romania and on the Party's Theoretical and Ideological Problems and Political and Educational Activity," Political Publishing House /PPH/, Bucharest 1982, p 26.
2. Idem p 27.
3. Nicolae Ceausescu, "Report to the 12th RCP Congress," PPH, Bucharest 1979, p 46.
4. Nicolae Ceausescu, "Speech at the Plenum of the RCP Central Committee on 31 March 1982," PPH, Bucharest 1982, p 9.

5186

CSO: 2700/56

ECONOMIST BAJT COMMENTS ON DEVALUATION, RELATED MATTERS

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1661, 31 Oct 82
pp 8-10

[Article by Aleksander Bajt: "Ten Years of Making Determinations"]

[Text] If business relations and the way in which business is done are examined from the standpoint of normality, with either the most successful economies or economic theory serving as our criteria for normality, then it must be said that they are seriously disturbed in Yugoslavia. In this regard, I am not thinking of the so-called structural disproportions that usually appear in natura (the underdevelopment of certain industries and branches), but rather of disturbances in the basic parameters for associated labor's operating under the conditions of commodity production, i.e., prices. A self-managing economy cannot function satisfactorily unless this basic parameter is adequate.

Picture a railroad switching station at which someone has mixed up the red and green lights overnight. Even the most capable drivers will not be able to keep their trains from turning into the wrong tracks and colliding with other trains. A self-managing economy without adequate price signals is like a switching yard whose signal lights are confused.

When people talk about prices, they are usually thinking of the prices of goods. Excessively low housing rents (relatively low, compared to other prices) are the reason for the great extent to which housing construction is lagging behind, and for poor utilization of the existing housing. Relatively low prices for domestic energy have prevented the necessary development of coal mines and hydroelectric power stations.

The prices of production factors, however, are more important than the prices of the products. They do not cause imbalances just in individual industries, but rather throughout the economy, in all branches and industries. A low price for savings (capital), or even a negative one, at a time of inflation, encourages an excessively large and inefficient expenditure of savings (capital), and reduces the formation of savings throughout the economy. This is the essence of the defect that is usually called excessive investment, which leads to inflation.

In addition to this, a low price for savings encourages capital-intensive investments, and is the reason for mass unemployment, the greatest imbalance, which is incompatible with the concept of a socialist economy. No investment is too large, however, and no investment causes inflation, if it is covered by the voluntary saving of a corresponding part of the social product, i.e., if an adequate price for savings equalizes the amounts of overall savings and overall investments.

The basis for the disturbance of business relations and the way in which business is done in our economy is the unrealistic economic policy of voluntaristically determined money values: 1) excessively high money values in relation to individual goods, as a result of price ceilings, maximum prices, price freezes, and so forth (for apartments, energy, agricultural products, social services, and transportation); 2) an overvalued dinar in relation to foreign currencies, as the result of an official exchange rate below the equilibrium one; and 3) a seriously undervalued liquidity value for money, as the result of interest rates that are really negative ones. It is thus possible for us to define stabilization in a very general way as restoring a realistic value for the dinar in all of its functions, and as a normalization of business in the sense of restoring to associated labor those signals which will make it possible for it to make socioeconomically rational decisions in a commodity economy, and thus optimize the structure of the production, distribution, and utilization of the social product, as well as foreign trade.

Superfluous Discussions

This appears to be very abstract, but it provides a possibility of a simple and quite effective solution for many complicated "systemic" problems.

A realistic exchange rate for the dinar would allow taking into account the so-called criterion of world prices in price formation, and, along with realistic interest rates, would make discussions of the criteria for price formation superfluous. At the same time, a realistic exchange rate for the dinar would make possible sufficient exports, and, by limiting import appetites, would ensure that imports were balanced by exports (more precisely, it would ensure the economically and politically desired relations in external balances). This would also eliminate the artificially created interest in distributing foreign exchange according to "ownership," as well as in tying imports to exports on an individual basis. Exporters would be motivated to export for the sake of the greater dinar income that this would give them in comparison with sales in the domestic market.

A Modest Devaluation

It is well known that the federal and republic administrations are performing several jobs that should be performed by associated labor itself, by reacting to the signals sent to it by the market. This situation is not a consequence of associated labor's inability to make economically rational decisions, but rather of voluntaristic disturbances in market signals, and non-equilibrium prices for products and especially for production factors. With a normalization of business activity, the economic functions of the sociopolitical

communities would appear in quite a different light than they do today. Many of the functions that appear today to be essential attributes of republic or federal sovereignty would turn out to be superfluous, since associated labor would perform them itself satisfactorily.

The measures that are being adopted today, for the most part by the Federal Executive Council [FEC], are objectively consistent with a process of normalization conceived in this way. From this standpoint, I support them. They may become a true turning point in our way of doing business and in our behavior in general, not just our economic behavior. My main criticism would be that they are quantitatively insufficient: as our institute sees it, the devaluation is modest (we proposed a 30 percent devaluation back at the end of 1981). The same thing is true of the nominal interest rates, as well as many commodity prices, which remain far below the equilibrium ones. This can be corrected by adjusting the dinar more rapidly in the future, keeping non-exchange rate subsidies unchanged, continuing to bring interest rates closer to real positive ones (a reduction of inflation will assist in this), and correcting some prices, especially those with an import component. In this context, Belgrade's initiative on housing rents is invaluable.

The insufficient intensity of measures in the above-mentioned directions has led to the adoption of some predominantly administrative measures. Gas coupons can serve as an excellent example. In fact, the price on which we have been insisting since 1980 would resolve much more effectively not only the issue of gasoline consumption, but also some other problems, most of all the pressure of excess demand on the market. It is impossible to comprehend why the population should receive a commodity that has to be rationed for half of the realistic price (I am not speaking of half of the realistic price from memory; the Yugoslav population has demonstrated in the last few weeks that 1500 lire are worth more to it than 10,000 old dinars, even when buying goods such as jeans, coffee, low-quality shoes and clothing, and so forth; at this exchange rate the Italian price for super-gasoline, 1,145 lire, is equivalent to 76.33 dinars).

The Measures Are Too Late

In connection with the current packages of measures, the question of whether they are too late is frequently asked. The answer is clear: better late than never. If some of the current measures had been adopted in 1974-5, when it was the right time to react to the increased oil prices, many of our present difficulties would not have occurred. The government at that time was not capable of facing up to our economy's dependence upon changes in world markets. The first more decisive steps were taken in 1980, in the right direction, but the government at that time did not have the necessary support from the political structures. If we had reacted at the proper time to the increased energy prices and also to the growth in interest rates, the present government would not have inherited the burden of the accumulated imbalances, with the foreign debt of close to \$20 billion being the most serious one.

One also often hears views that the economic policy is exaggerating the seriousness of the situation, that the measures could be less rigorous, and that in particular it would be advisable to reschedule our foreign debt, for example by treating the indebted banks as a private sector. Even if such ideas had not originated from complete ignorance of the significance of our banks' indebtedness (the cross default clause, and the National Bank of Yugoslavia's guarantees), I would advocate abiding by our foreign obligations as strictly as possible. I would not like to see Yugoslavia's representatives on their knees before Western bankers, competing with the representatives of poor countries for a postponement of their debt repayments. In the last ten years we have not had much success in proving the advantages of our system. A well-known economist has asked, in the most prominent British economic review, "What has happened to the Yugoslav economic miracle?" Now, under the most difficult circumstances, we can make up for this failure.

The crucial thing for the success of the measures adopted and of the devaluation in particular is to maintain the existing level of domestic prices, or rather the level of the domestic components of domestic prices. The structure of our markets is typically monopolistic, and the current interruptions of the production flows, which are to a considerable extent unavoidable because of the state of flux in the production structures, are giving the suppliers even more power. An administrative retention of the price level, and a rigorous one, is unavoidable. It is necessary to take energetic steps to abolish the practice under which the worker's income is interpreted as coming from someone else's pocket, which is the basis for obtaining income by increasing prices.

When I insisted at the beginning on realistic prices, this naturally also applied to the prices for labor services, i.e., wages. There is no real equivalent value corresponding to wages that are obtained without labor, through poor and irresponsible work or even objectively unnecessary work (especially in social services, interest and political communities, etc.). In order for wages to be realistic, they have to be linked to productivity and not to prices. On several occasions I have already suggested a dual-channel formation of wages. As a function of the real product, not in the physical but rather in the qualitative sense, wages and the construction of internal distribution systems are an autonomous right of associated labor at the level of organizations of associated labor [OURs]. The adjustment to prices must be under the jurisdiction of economic policy, especially since this is a question of adjustment to the prices of groceries and living expenses, and not the prices of the products of individual OURs, and of adjusting wages throughout the entire economy. Otherwise it will not be possible to conduct a national wage policy or to manage demand. This requires a redefinition of income, from which inflation must be eliminated so that the real income will be the product in a qualitative sense.

Inflation is also affected by demand, but I will pass over the problem of managing demand, which has just been touched upon. This is to a great extent a matter for the experts. I wish to mention one new initiative in connection with this, however. The excess of overall demand, caused by the expansion of wages and several other sources of income for the population, has led some

people to think of the idea of a national loan. As I have already stated to a NIN reporter (the 7 October 1982 issue of NIN), in principle I do not like the idea. It is necessary to eliminate the possibility of generating excess demand, not only in personal expenditure but also in common and joint expenditure (which are linked to personal consumption), i.e., a systemic solution to a long-term problem. Buying power is only reduced ad hoc through a loan. Even more important is the fact that a national loan would apply almost exclusively to sources of income based on payrolls, and to retirees and a few registered craftsmen, and that it would be a disproportionate burden, no matter how progressive the loan, on people with low incomes, who will in any case bear the heaviest burden of the stabilization. People with incomes in the millions (in new dinars), black marketeers, smugglers, private foreign currency changers, the beneficiaries of credits with negative interest rates and socially-owned apartments with low rents, and so forth, would be spared. An increase in the price of gasoline is the most effective, most long-term, and at the same time the most just system for a national loan. If at first I was not enchanted with the loan for purely economic reasons, today the social and even the political reasons seem more significant to me.

As we are already dealing with the population, we should mention the losses in interest that the population has suffered because of the temporary lifting of savings deposits through nervousness at the beginning of October. The FEC should have taken more decisive steps to prevent the appearance of damaging reports, and if they occurred, it should have persistently uncovered their sources and energetically pursued and punished them. The foreign exchange deposits of the population, which are for the most part the result of work by our guest workers abroad, are a part of our economic system, and are in the interest of our society as a whole and of the individual depositors, regardless of the source of the foreign exchange. Through the introduction of real positive interest rates for dinar deposits, the population would be induced, solely in its own interest, to keep its savings in dinar deposits for the sake of actually higher interest and the possibility of purchasing the necessary foreign exchange at any time. This will not occur in the near future, however. For the time being, interest rates on foreign exchange deposits are not only actually higher than on dinar deposits, but also considerably higher than in other countries. This is the reason why many foreigners are also keeping their funds in our banks.

9909

CSO: 2800/65

YUGOSLAVIA

STATUS OF RAILROADS IN 1981, FIRST HALF OF 1982 DISCUSSED

Belgrade ZELEZNICE in Serbo-Croatian No 9, Sep 82 pp 3-7

[Article by Sreten Vukovic: "Results of the Work and Business of the Yugoslav Railroads in the First Half of 1982"]

[Excerpt] It is worthwhile to recall that the Yugoslav Railroads [JZ] are a large technical and technological, economic and self-managing system composed of eight subsystems, whose unity in operation and coordinated development are a basic condition for the successful operation of both the entire system and its parts. In view of the fact that about 80 percent of the transportation on the JZ is performed through joint operation, with joint use of the capacity, it is unnecessary to provide special proof that the economic position achieved in the system, separately and as a whole, depends to a great extent on the way in which the technical and technological unity of the work of the entire system functions.

The conditions for work and business, from the OOURs [basic organizations of associated labor] through the ROs [work organizations] and SOURs [complex organizations of associated labor] to the ZJZ [Community of Yugoslav Railroads] were considerably restricted in 1982 by the complex economic situation, which is also having a significant effect on work in the area of railroad transportation.

It is significant that the following results were achieved for the economy as a whole at the end of 1981:

- about 2 percent lower productivity in comparison with the preceding year;
- about 1 percent less utilization of industrial capacity. It should be noted here that coke producers, coal and nonferrous metal producers, and copper and aluminum producers used their production capacities better, while the other industries reduced the utilization of their capacities;
- the physical volume of industrial production was 4 percent greater;
- the value of foreign trade was 5 percent greater in exports, while imports were maintained at the level of 1980.

How have these trends affected work in transportation?

In overall land passenger transportation, 1.3 percent more passengers were carried and 0.7 percent more pkm were completed, while 3.7 percent less freight was carried and 9.5 percent fewer ntkm were completed in 1981 than in 1980.

Railroad transportation's share in total land passenger transportation was reduced from 10 percent in 1980 to 9.6 percent in 1981, while its share in the pkm completed was increased from 22.8 percent in 1980 to 22.9 percent in 1981. Railroad transportation's share in freight transportation in 1980 was 21.9 percent of the tons of freight carried, and was increased in 1981 to 23 percent; its share in the ntkm completed was increased from 10.1 percent in 1980 to 11.5 percent in 1981.

International freight transportation had a 27 percent share in the total work of railroad transportation in 1981, and contributed a net foreign exchange result of \$122 million.

The annual freight transit over Yugoslav Railroad lines in 1981 amounted to about 6.5 million tons, of which 4.4 million tons were achieved in port transit and 2.1 million in land transit.

In accordance with the provisions of the Law on Association into the ZJZ, the transportation of passengers and things is included among work of particular social significance. Railroad transportation is therefore viewed as a unified technical and technological system, which is based on a unified schedule and other regulations governing transportation. In addition to this, one must also take into account, among other things, the typization, standardization, and unification of the basic transport capacities and the unified system for providing services, with full provision for orderly and unhindered transportation throughout the territory of the SFRY. This gives this type of transportation the features of a closed whole and an unbroken chain.

The railroad's technical equipment, and especially the state of the railway lines, the signaling and security devices and the telecommunications devices, and the state of the rolling stock, speak very eloquently of the level of the JZ's readiness to perform the transportation of passengers and freight successfully, safely, and securely.

We thus cannot be satisfied with the state of the railway lines at the beginning of 1982, even though considerable funds were invested in maintaining them from 1976 to 1980, since in many sections the throughput capacity of the line is insufficient and the wear on the surface machinery is over 50 percent, while only 40 percent of all lines are suitable for axial pressures of 20 tons or more, only 7 percent are suitable for speeds of more than 100 km, etc.

The process of modernizing the signaling and security and telecommunications installations on the JZ is still under way. At the beginning of 1982 the percentage of lines technically equipped with modern signaling and security installations was fairly low, so that the present state does not satisfy the increased

requirements from the standpoint of the safety and efficiency of operation of railroad transportation. Of about 1,200 stations and other service locations on the main lines that are being equipped with signaling and security devices, so far only 570, or about 47 percent, have been equipped.

On the rest of the lines, the situation is even much worse, and security at about 75 percent of the railroad crossings is achieved only through signs.

So far, 3,320 kilometers of track have been electrified, or about 35 percent of the total track length.

With respect to traction vehicles, it should be emphasized that associated labor in the JZ has at its disposal 1,443 locomotives of all types. It is significant that they are not equally distributed among all areas, so that in some parts of the JZ network there is a shortage of traction vehicles.

At the beginning of 1982, the total traction force of the operative traction equipment was 2.65 million kW. The strength of the traction equipment, in kW, was as follows:

<u>Traction Equipment</u>	<u>Percentage</u>
Steam locomotives	4.4
Diesel locomotives	29.1
Electric locomotives	59.9
Electric and diesel motor trains	5.7
Diesel railcars	0.9
Total 100.0 percent	

During the preceding period, a satisfactory degree of typization and unification of traction equipment was achieved, except for switching locomotives and motor trains. It should be noted here that we are making increasing use of domestic production, with some imported equipment being installed.

Particularly disturbing is the very high percentage of immobilization of the traction equipment, which has been maintained at the same level for the last few years. At the beginning of 1982 it was about 28 percent for the network as a whole, 40 percent for certain types of locomotives, and as much as 70 percent in some areas. It is believed that the high degree of immobilization is influenced by many factors, among which the following are most frequently stressed: the shortage of spare parts, and the shortage of foreign exchange for purchasing and importing spare parts, the railroad's unfavorable attitude toward repairmen, poor maintenance, incorrect handling and use during operation, damage in accidents, etc.

A consequence of this state of affairs is the occasional stoppage and obstruction of traffic.

At the beginning of 1982, the JZ had 47,645 freight cars, with a total capacity of 1.93 million tons. In the last few years, the state of the freight car pool

has been considerably improved by the purchase of over 20,000 four-axle high-capacity freight cars. In spite of this, the state of the freight car pool is still unsatisfactory; of the total freight car pool, only 50 percent is capable of speeds greater than 80 kilometers per hour, and about 14 percent of the freight cars are still more than 30 years old.

The extent of the immobilization of freight cars has increased in recent years, and at the beginning of 1982 it was about 10 percent.

At the beginning of 1982, the JZ had 2,114 passenger cars, 1,016 motor train and diesel railcars, and 296 other cars, with 215,435 seats and 10,668 beds. This situation is unsatisfactory both because of the number and the technical characteristics of the railcars, and thus also because of the comforts that can be offered to the passengers in such cars.

Only about 850 of these cars are suitable for international traffic.

The shortage of passenger cars is especially felt at times of increased passenger transportation: the summer season, holidays, transportation of foreign workers, etc. This situation results in intensive utilization of the passenger cars, as a result of which they are characterized by poorer maintenance and a high percentage of immobilization. All of this has an unfavorable effect on ensuring the supply of material and on meeting the schedule. In international transportation, it frequently happens that the JZ is excluded from international trains because of damaged cars, the low degree of cleanliness, and for other reasons, primarily hygienic.

These are the circumstances that associated labor in the JZ has to fight in the transportation services market in order to achieve suitable receipts and income.

It was expected that in 1982 there would be certain positive changes in the transportation services market, since the Yugoslav economy is oriented primarily toward the following:

- an increasingly greater export orientation, primarily involving manufactured products;

- reducing imports;

- creating increasingly more favorable working conditions for railroad transportation, which should grow into normal business conditions; this implies the provision of sufficient and timely compensation;

- continually insisting on implementation of the measures from the Social Agreement on the Transportation Policy of Yugoslavia, which is a long-term agreement, so that work must continually be done in this regard;

- alleviating the negative consequences of the energy crisis, especially in liquid fuels, so that the transportation field has concrete tasks, etc.

What was stated above for the economy as a whole, and the state of the capacities at the beginning of 1982, are limiting factors for the transportation field, since they determine the requirements for freight and passenger transportation, and thus affect the volume of work in the field of railroad transportation as well.

The volume of work carried out in the transportation of passengers in the first half of 1982 shows the following trends, when compared to the same period in 1975 and 1981:

Passenger Transportation (in thousands)

First Half Year

<u>JZ Network</u>	<u>1975</u>	<u>1981</u>	<u>1982</u>
1. Total transportation (2 + 3)	62,226 100.0	52,809 80.9 100.0	53,779 86.4 101.8
2. Domestic transportation, including:	61,385 100.0	51,629 81.02 100.0	52,594 85.67 101.9
2.1 Local	56,761 100.0	43,696 70.2 100.0	43,450 78.31 101.7
2.2 Joint	4,624 100.0	7,933 141.0 100.0	8,144 176.12 102.3
3. International transportation	1,841 100.0	1,180 64.1 100.0	1,185 64.36 100.4

Pkm Completed (in thousands)

1. Total transportation	4,825,647 100.0	5,153,695 106.7 100.0	5,318,910 110.2 103.2
2. Domestic transportation, including:	3,881,249 100.0	4,617,163 118.9 100.0	4,734,510 121.98 102.5
2.1 Local	2,266,962 100.0	1,895,854 83.6 100.0	1,933,007 85.27 102.0
2.2 Joint	1,614,287 100.0	2,721,309 168.6 100.0	2,801,503 173.55 103.0
3. International	944,398 100.0	536,532 56.8 100.0	584,400 61.88 108.9

In the first half of 1982, passenger transportation showed an increase in comparison with the same period in 1981, but was still considerably lower than in 1975.

Of the total passenger transportation, 97.8 percent was domestic transportation and 2.2 percent was international. Local transportation accounted for 84.5 percent of domestic passenger transportation.

When the pkm completed are examined, however, it can be seen that the work performed in the first half of 1982 was 3.2 percent greater than in the same period of the preceding year, and 10.2 percent greater than in the same period in 1975. For the pkm completed in domestic transportation, the work performed in the first half of 1982 was about 2.5 percent greater in comparison with the growth during the same period of the preceding year and about 21 percent greater than in 1975; and in joint work, it was 3.0 percent greater than in the same period of the preceding year, and over 73 percent greater than in the same period in 1975.

It can be seen from the above data that travelers making long trips are increasingly oriented toward the railroad as the method of transportation; this must be taken into account in organizing work and purchasing passenger cars in the near future.

In freight transportation, the following trends were observed in the first half of 1982 in comparison with the same period in 1981 and 1975:

Freight Carried (in tons)

<u>JZ Network</u>	<u>First Half Year</u>		
	<u>1975</u>	<u>1981</u>	<u>1982</u>
Total	38,443 100.0	41,169 107.1 100.0	41,796 108.72 101.5
Domestic transportation, including:	28,336 100.0	30,385 107.2 100.0	30,767 108.58 101.3
Local	16,706 100.0	16,321 97.7 100.0	16,921 101.28 103.7
Joint	11,630 100.0	14,064 120.9 100.0	13,846 119.05 98.5
International, including:	10,107 100.0	10,784 106.7 100.0	11,029 109.12 102.3
Imports	---	4,846 100.0	4,649 95.9

Freight Carried (in tons) (Continued)

<u>JZ Network</u>	<u>1975</u>	<u>1981</u>	<u>1982</u>
Exports	---	2,683 100.0	2,938 109.5
Transit	---	3,255 100.0	3,442 105.8

Ntkm Completed (in millions)

Total	10,905 100.0	12,409 113.8 100.0	12,848 117.81 103.5
Domestic, including:	7,111 100.0	8,423 118.5 100.0	8,549 120.22 101.5
Local	2,305 100.0	2,258 97.9 100.0	2,439 105.81 108.0
Joint	4,805 100.0	6,165 128.3 100.0	6,110 127.15 99.1
International, including:	3,794 100.0	3,985 105.0 100.0	4,299 113.31 107.9
Imports	---	1,538 100.0	1,481 96.3
Exports	---	1,012 100.0	1,188 117.3
Transit	---	1,434 100.0	1,630 113.6

If the ntkm completed in the first half of 1982 are examined according to the fields of operation, the following can be noted:

--more work was performed in local transportation than in the same period in 1981 and 1975, by 8.0 and 5.8 percent;

--joint work was 0.9 percent less than in the same period of the preceding year, and 27 percent greater than in the same period in 1975;

--in the first half of 1982, 3.4 percent more work was performed in international transportation than in the same period of the preceding year, and 9.2 percent more than in the same period in 1975.

It should be emphasized that in 1982, in spite of the social commitment to have freight transported by the branches of transportation that have the lowest expenses per unit of transportation from the standpoint of social profitability, and in spite of the continuing energy crisis, especially the oil crisis, the Federal Executive Council decree on more rapid unloading and loading of railroad cars, and other measures, freight is still not significantly oriented toward the railroad. Thus, in the next few months, we must work even more intensively to put railroad transportation in its rightful place in the transportation market. Naturally, this is primarily the responsibility of the railroad workers.

The volume of work performed is not equivalent in all railroad transportation organizations, as can be seen from the following review:

Work Performed in the First Half Year, By Railroad Transportation Organization [ZTO]

<u>ZTO</u>	<u>Tons and Ntkm</u> <u>1982:1981</u>	
	<u>Tons</u>	<u>Ntkm</u>
Ljubljana	+8.4	+6.2
Zagreb	-0.3	+2.3
Sarajevo	+1.1	+3.2
Novi Sad	-0.2	-2.0
Belgrade	+5.1	+6.4
Pristina	-0.3	-12.6
Skopje	+1.7	+14.4
Titograd	-0.7	+4.3
JZ Network	+1.5 percent	+3.5 percent

It is significant that in regard to the share of individual types of freight in the total loading in the first half of 1982, some types of freight are still observed to be shifting from railroad transportation to other branches. Thus, more work was performed with coal, ore, processed and unprocessed wood, and fertilizer, and less with oil, nonmetals, metallurgical products, cement, construction materials, other goods, and packaged shipments.

Loading by Type of Freight

<u>Work Performed</u>	<u>(+ or - in percent)</u> <u>First Half Year 1982/1981</u>
Coal	+15.3
Oil and Derivatives	- 5.5
Ores	+ 2.2
Nonmetals	- 1.6
Metallurgical Products	- 9.7
Processed and Unprocessed Wood	+14.0
Heating Wood	+ 7.8

Loading by Type of Freight (Continued)

<u>Work Performed</u>	<u>(+ or - in percent)</u>	
	<u>First Half Year 1982/1981</u>	
Cement	-	5.4
Construction Materials	-	4.2
Grain and Grain Products	-	4.8
Fertilizer	+	4.2
Other Goods	-	5.8
Packaged Shipments	-	0.7

On the whole, the net work was greater this year, which is favorable, but the increase was not achieved at the anticipated level, and so in the second half of the year we must work on obtaining freight for shipment in order to increase the volume of work in transportation even more.

During the next few months, the efforts of associated labor in railroad transportation must be directed toward improving and correcting especially those qualitative indices of work which were below last year's level.

With respect to the financial results of work, the following should be emphasized:

The total income earned was 31.5 billion dinars, including 21.3 billion dinars or 80 percent in transport and other income, and 8.3 billion dinars or 20 percent of the total income in compensation, as can be seen from the following review:

Income Earned (in billions of dinars)

<u>JZ Network</u>	<u>Year</u>		<u>Ratio</u>
	<u>1981</u>	<u>1982</u>	<u>3:2</u>
1. Total income	23.9	31.5	132.4
2. Transport and other income	17.7	21.3	120.3
3. Compensation	6.2	8.3	134.1
2:1	74.1	80.0	---
3:1	25.9	20.0	---

The above is according to the balance for the railroad transportation organizations for the first half of the year.

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END